

November 26, 2021

Water and Sewer Authority – FY 20-21 Financial Statements

The FY 20-21 financial audit presented fairly and represented an unqualified opinion from the auditors.

However, on a full accrual basis the Stanly County Water and Sewer Authority (SWSA) finished FY 20-21 with a decrease in net position of \$19,952, and future debt capacity continues to remain a concern.

The Authority's capital assets make up the overwhelming majority of its entire assets. Thus, the Authority has very limited liquid assets or cash reserves. The Authority only has about 70 days of cash on hand (based on prior year expenditures)

On a modified accrual budgetary basis, which **excludes** depreciation, the Water & Sewer Authority's revenues exceeded expenses by \$301,256. As such, the Water & Sewer Authority did maintain positive cash flow in FY 20-21. Further, the Authority performed more favorably than last fiscal year when revenues on a modified accrual basis exceeded expenses by approximately \$140,000.

The Water & Sewer Authority's net revenues (*all charges for services, investment income and miscellaneous income less operating expenditures not including mandated debt service*) were sufficient to cover the Authority's debt service obligations. Per the Authority's USDA revenue bond covenants, net revenue must be 110% of the annual debt service.

The Authority's net revenue in FY 20-21 was 152% of its debt service obligations. This is an increase of 12 percentage points over FY 19-20 and the fourth consecutive fiscal year the Water & Sewer Authority has met the USDA's bond covenants.

The Authority's current outstanding debt is slightly over \$6.799 million. Additionally, the Authority owes the County's General Fund \$415,184. This is a reduction of \$136,700 from last fiscal year.

The Water & Sewer Authority continued to demonstrate enhanced financial standing in FY 20-21. It will be important to continually monitor operational cash flow.







Capital Asset Condition Ratio Data

It is important to annually review capital needs and adequately fund facility/infrastructure maintenance. One quantitative barometer for assessing the need for facility upgrades and capital improvement is the capital asset condition ratio.

The measure specifically considers the remaining useful life of facilities and equipment based on depreciation. A higher ratio suggests an organization is making capital investments and facility/infrastructure upgrades on a routine basis. The performance target for this measure is 50% or above.







The County's overall result for both the General Fund and the primary Stanly Utilities Enterprise Fund over the past six (6) fiscal years is illustrated below:

General Fund

FY 2015-2016		41%
FY 2016-2017		55%
FY 2017-2018		52%
FY 2018-2019		50%
FY 2019-2020		48%
FY 2020-2021		51%

If the County moves forward with the new livestock arena, 911 center and Sheriff's Office in 2022, this metric will increase well above 50% in 2023 and beyond.

Utilities Fund

FY 2015-2016		46%
FY 2016-2017		43%
FY 2017-2018		41%
FY 2018-2019		40%
FY 2019-2020		41%
FY 2020-2021		41%

The Utilities Fund will increase in 2022 as a result of continued infrastructure investments at Riverstone, the Liberty Hill pump station upgrade and the Bost Road water line extension.